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A Stockholm restaurant.

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Scandinavian Market for U.S. Foods

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A middle-class "Italian" restaurant in Stockholm, Sweden. Restaurants and institutions account for a large share of the food buying in Scandinavia, according to article beginning page 9.

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Coffee Faces Uncertain Future In Mexico and Central America

By J. PHILLIP ROURK
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SHARPLY LOWER green coffee prices in recent months, aggravated by higher prices of fertilizer and other inputs as well as rising labor costs, have transformed the outlook of the Mexican and Central American coffee industries from the optimism of 1973 and early 1974 to uncertainty and gloom that in some cases border on panic.[1]

One consequence of the altered situation has been a series of efforts on the part of groups of producer countries to coordinate their marketing policies and limit offerings on world markets in an effort to bolster prices.

At the same time, there has been a change in attitude in some quarters toward the prospect of a new International Coffee Agreement (ICA) from one of indifference or even opposition to a belief that international cooperation in the industry now offers the best hope for stabilization and strengthening of the market.

The lapse of most of the economic provisions of the ICA in December 1972 marked the end of nearly 10 years of export quotas and other restrictive measures affecting virtually all the world's coffee-producing countries.

For Mexico and the Central American countries, these were years of increasing frustration and dissatisfaction with the workings of the ICA. Along with their belief—probably shared by most of the world's coffee-producing countries—that their quotas were inadequate, these countries saw their market shares frozen at the start of a decade of mounting production achieved by rapid technological change. The result was accumulation of large stocks.

The first concern of the coffee industries in these countries following expiration of the ICA economic provisions was to move toward reduction or elimination of surplus stocks, which by the end of 1972 had become increasingly burdensome.

In this move, the countries were highly successful. A rather tight world supply situation after years of inadequate production, plus the psychological boost provided by the July 1972 frost in Brazil, brought firm and generally rising prices.

In addition, there was strong demand for Other Milds—the type of coffee produced in Mexico and Central America. During 1972-73 and 1973-74, Mexico and Central America exported approximately 4 million bags more than their average exports of the preceding 4 years, thus reducing their stocks to manageable levels.

Successful disposal of these surplus stocks, plus the favorable price level that prevailed throughout 1973, led to an intensification of the drive to modernize and improve the coffee industry in these countries.

Although only limited acreages of new lands were planted, farmers generally responded to the more favorable outlook for coffee by increasing the number of trees per acre, replacing old trees with improved varieties, and increasing applications of fertilizer and other chemical inputs. In most cases, these steps represented not so much a new policy as an acceleration of a trend that had begun in the 1960's and continued into the 1970's.

The ability of Mexico and the Central American countries to increase productivity during the 1960's and to respond promptly to the favorable outlook prevailing in 1973 stems in large measure from the structure of the industry in these countries.

Although there are thousands of small farmers engaged in coffee production in each of these countries, well over half the total coffee production is derived from medium to large farms—

[1] **This report is based on the author's trip to Mexico and Central America, October 1974.**

the equivalent, in most cases, of the so-called family farm in the United States.

The production situation varies from country to country, with Mexico, Honduras, and Nicaragua having the highest proportion of small farms and El Salvador, Guatemala, and Costa Rica the greatest concentration of medium and large properties.

The prevalence of medium or large farms, owned and managed by relatively well-informed, sophisticated growers aware of the latest technological developments and disposed to introducing new varieties and techniques, contrasts sharply with the large number of small farms on which much of the world's coffee is produced in Africa, Asia, and other Latin American countries.

As a consequence, Mexico and the Central American countries rank near the top in world coffee productivity. Two countries—El Salvador and Costa Rica—unquestionably lead the world in average yield of coffee per acre.

However, the technological advantage held by parts of Mexico and Central America—primarily the latter—in coffee production is increasingly being diluted by rising production costs as well as by financial and organizational weakness vis-á-vis Brazil, Colombia, and other producing areas.

The disciplined, well-financed, and structured organization of the Brazilian Coffee Institute (IBC), the Colombian National Coffee Federation, and the state marketing boards of some African coffee-producing countries enables them to deal with coffee-importing nations from positions of strength.

IN CONTRAST, the official and quasi-official organizations of Mexico and Central America are generally underfinanced and ill-equipped to deal with major problems. The large number of small, individual exporters in these countries are also—as might be expected—relatively weak sellers in the world market, and are the most vulnerable in periods of market glut and depressed prices.

In 1973, after the lapse of the ICA economic provisions, coffee country representatives held several meetings to discuss the desirability of establishing some sort of organization to control the flow of coffee to world markets and/or to intervene in actuals and futures markets in New York and London in defense of certain price levels.

Experts examine coffee growing without shade in Costa Rica's uplands. Coffee grown in little or no shade requires larger amounts of fertilizer than when shade is used. Growers currently are seeking ways to trim their rising input costs, such as fertilizer.

In 1973 an organization known as Cafe Mondial was set up, in which Brazil, Colombia, Ivory Coast, and Portugal participated. Neither Mexico nor any Central American country joined Cafe Mondial.

In May 1974, however, Mexico and the Central American countries, responding to growing concern about the future, agreed at a meeting held in Costa Rica to establish an organization similar to Cafe Mondial known as Otros Suaves, S.A.

It is difficult to determine the extent to which Otros Suaves was actually involved in market operations during May-September 1974 when, for all practical purposes, it was superseded by a new producer organization. It is believed that only Mexico and El Salvador played active roles in Otros Suaves, reportedly with some financial assistance from Brazil and Colombia.

Mexico and all Central American countries except Nicaragua reportedly are supporting the new scheme agreed to at a meeting held in London in September 1974 that calls for withholding of 20 percent of exportable production from the 1974-75 crop until prices reach certain levels.

Coffee industry spokesmen in these countries acknowledge the difficulties inherent in the implementation of such a program and admit that previous efforts in this direction—including Otros Suaves—have all ended in failure, but they believe that unless prices can be raised from the present reduced levels, the industry cannot survive.

Producers recognize that there is opposition to such organizations—particularly in the United States—but they insist that the present scheme, like Cafe Mondial and Otros Suaves, is not a cartel directed against coffee importing countries, but is merely a defense effort to provide for orderly marketing of coffee and to prevent a drastic price decline that could have serious political and social repercussions in their countries.

The resolve of the Mexican Government, at least, is underlined by the acceptance by Fausto Cantu Pena, president of the Mexican Coffee Institute, of the presidency of the new producer group and of its administrative and control committee.

The sharp decline (approximately 20 percent) in green coffee prices be-

tween May and October 1974—which brought about the formation of the producer group—also has served to soften the traditionally hostile attitudes of the Mexicans and Central Americans toward a new ICA.

Central America's relatively large number of independent, well-informed farmers receive little or no government assistance or financial support. They believe they would be better off in a situation in which they could compete for markets unfettered by quotas or similar restrictions.

These producers believe that under the 1962 and 1968 coffee agreements they did not receive their fair share of the market in terms of export quota entitlements, and that other aspects of the agreements—notably the operation of the selectivity system—adversely affected their interests.

It is probably fair to say that the demise of the ICA economic provisions at the end of 1972 was greeted with virtually universal approval and an almost audible sigh of relief. It is a measure of the seriousness with which they view the present situation that many leading spokesmen for the industry—both governmental and in the private sector—now express the view that a new agreement is perhaps not only inevitable but is desirable as well.

This is not to say that coffee producers in Mexico and Central America expect the scheduled 1975 negotiations for a new ICA to culminate in success. On the contrary, most express the belief that the political will to negotiate does not yet exist in the major importing and exporting countries, and that the meetings scheduled to be held this year are premature.

NEVERTHELESS, Mexico and Central America will be fully represented during the negotiations, and will present their views on what they consider to be the key issues—quotas, prices, and a system of linking coffee prices to prices of industrial imports.

In the view of many representatives of the coffee industries of Mexico and Central America, the prospects for the future could hardly be more bleak. In the light of the 20 percent decline in coffee prices in recent months and continually rising production costs, only a few industry members are hopeful that either the existing producer agreement or a new ICA can provide real relief.

The present predicament of growers in Mexico and Central America has been years in the making. Labor costs in Mexico and more particularly in Central America traditionally have been higher than those in other coffee-producing areas of the world, and are a reflection of a generally higher standard of living. Also, wages have been increasing in Mexico and Central America at a faster rate than in many other producing areas.

IN THE 1960's, rising production costs in Mexico and Central America were at least partially offset by continued technological improvements and gains in productivity. Because of replanting with improved varieties, increased density of plantings, shade removal, and greatly increased use of fertilizer, fungicides, and insecticides, yields per acre rose rapidly.

The Central American coffee producing countries turn out yields that compare favorably with those of almost any other coffee-growing country in the world, and their coffee enjoys a strong demand among consumers because of its particular flavor.

Viewed solely in terms of suitable land, availability of labor, lack of attractive economic alternatives, and present moderate levels of productivity, the potential for significant increases in coffee production still exists in certain areas, particularly in Mexico and Guatemala.

Only very moderate increases in production seem possible in Costa Rica and El Salvador, because of the shortage of suitable land, the high cost of labor, and already high average yields that make further gains in productivity more difficult to achieve and more costly in terms of inputs.

The real crux of the matter, however, is costs. Coffee, under any system of cultivation, is a labor-intensive crop. Under the more intensive production system in vogue in Central America, man-days of labor required per unit of land rise dramatically.

Wage rates have been going up steadily in these countries in recent years. In the past year, this trend has been greatly accelerated under the pressure of inflation, rising food costs, and a rapid evolution in the attitudes of government and society in general toward the problems of the poor.

In Costa Rica, for example, Government action increased the minimum wage by 40 percent in April 1974. Increases of varying amounts also took place during 1974 in Mexico and in other Central American countries.

Another factor causing additional concern in coffee-producing circles is the high cost of fertilizer and other chemical inputs. Although the situation varies slightly from country to country, in general fertilizer prices have risen by about 200 percent in the past year.

Many growers state that the use of fertilizer is no longer economically justifiable under present price circumstances. At the very least, farmers plan to use less fertilizer by reducing the number of annual applications to trees.

It is difficult to foresee what these developments will mean in terms of future production. It is clear that labor costs will not go down; indeed, they will most likely continue to increase in the years ahead. The key to production problems appears to be the future price of coffee and/or the cost of fertilizer.

EITHER to maintain coffee production at existing levels or to increase it in Mexico and Central America will require a continuation and even an intensification of technological improvements in the industry. Yet it is unfortunate that this area, while ranking very high in technical efficiency and yields per acre, is not economically efficient in terms of cost per unit of production.

The high yields of Mexico and Central America are based on modern technology, dependent in turn on high levels of fertilization and use of other chemical inputs, and costs of production are higher than in most other coffee-producing countries.

Unless coffee prices in the future can keep pace with the upward trend in production costs—primarily labor and fertilizer—growers will be obliged to reevaluate the profit potential of coffee vis-à-vis alternative crops or economic activities.

It is possible that the coffee industry in Mexico and Central America may find the challenge excessive, and, if so, stagnate and enter a period of gradual decline. If present circumstances continue essentially unchanged over the next several years, the long-term future of coffee in these countries is in doubt.

Tokyo Event Opens USDA's 1975 Japanese Exhibit Season

THE 1975 SCHEDULE of U.S. food exhibits in Japan will open with a 5-day show at the Harumi Pier in Tokyo, March 14-18, following a successful 1974 exhibit schedule that ended with four 2-day shows in as many cities between September 11 and November 7.

So successful was the 1974 series of Japanese exhibits, that more requests for space were received for the 1975 event than could be accomodated.

The 1975 Tokyo exhibition will feature products from about 70 U.S. firms, located in some 15 States—with the largest number from California. These include three large beef suppliers, two poultry firms, and a variety of general food manufacturers. Also participating will be seven USDA commodity cooperators, six of them groups that took part in the 1974 shows. The new cooperator is the National Potato Promotion Board. In all, about 500 food products will be displayed.

Between 40,000 and 50,000 Japanese traders, representing hotels, inns and restaurants, trading companies, food manufacturers, as well as Government officials and members of the press, are expected to attend. This is the fourth International Hotel and Restaurant Show in Tokyo and the first in which FAS has participated. The event is sponsored by six Japanese associations, including hotel, restaurant, and tourist organizations and will be held at the International Trade Center on the Harumi Pier.

The four USDA solo shows in 1974 —so-called because the Foreign Agricultural Service was their sole sponsor —were held in Sapporo, September 11-12; Sendai, September 25-26; Hiroshima, October 23-24; and Kumamoto, November 6-7. Attendance at the four exhibitions was nearly 3,000 persons, consisting mostly of food industry representatives.

Participating in the series were six USDA cooperators—the California Almond Growers Exchange, the Poultry and Egg Institute of America, the USA Dry Pea and Lentil Council, the American Soybean Association, the California Cling Peach Advisory Board, and the California Raisin Advisory Board. In addition there were about 20 Japanese agents who displayed a wide variety of U.S. foods ranging from fruits and juices, to spices, to pasta products, to processed poultry products, to textured vegetable protein.

Scenes at two of the four Japanese events held in late 1974: Above, guests at the Sendai show; left, U.S. and Japanese officials at Hiroshima. (l. to r): Kunio Uyeno, FAS Marketing Advisor, and Larry F. Thomasson, U.S. Agricultural Attaché, Tokyo; and Manabu Ito and Haruyuki Kanda, both of the Hiroshima Chamber of Commerce.

The last exhibition in the series at Kumamoto was attended by several Japanese and U.S. officials including the mayor of Kumamoto, the Governor of the Prefecture, and the American Counsul from Fukuoka, Mr. Earl S. Richardson, all of whom delivered welcoming remarks at the opening ceremonies.

Off-the-floor sales in Kumamoto were a modest $60,259, but the fact that this is a promising market for U.S. food products was indicated by the 12-month projected sales of $1.8 million, the highest projection of the four exhibitions. Total sales in all market areas in which the exhibitions were held amounted to $287,590 in off-the-floor sales and $6.6 million in projected sales for the next 12-month period.

Japan's potential as a market for U.S. agricultural products, including food items, shows up clearly in these data for fiscal 1974 and 1973.

In fiscal 1974, the United States exported about $3.3 billion worth of agricultural products to Japan, some $2.5 billion of which were food items (including grains, peanuts, and soybeans.)

In the previous fiscal year, the respective totals were $2.2 billion and $1.6 billion.

U. S. Poultry Sales to Asian Buyers End Good Year, May Face Trouble

By DAVID R. STROBEL
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DESPITE WORSENING economic conditions and mounting foreign stocks of poultry products, U.S. exports of poultry meat and eggs to major Asian markets[1]—Japan, Hong Kong, and Lebanon and the Persian Gulf—had a generally good year in 1974, with some gains ranging as high as 300 percent. However, prospects for early 1975 do not appear so bright, as many importers seem likely to attack their surplus stock problems by cutting back on imports from the United States.

Japan. U.S. exports of poultry meat to Japan—top single-country market for U.S. poultry meat and eggs—totaled 21.7 million pounds valued at $10.3 million in January-November 1974—up 10 percent in volume and 15 percent in value from those in the comparable 1973 period. In addition, U.S. poultry and egg exports to Japan amounted to $14.7 million for a 12 percent gain from the 1973 period. Chicken parts were far the largest single seller, accounting for $9.4 million.

Prospects for early 1975, however, are not particularly good. The consensus of all contacts in the Japanese market is that stocks of poultry meat are above normal, retail prices up, consumption down, and producers selling below costs. (Consumption of rice and fish is going up at the expense of poultry meat and red meat.)

Estimates of poultry meat stocks as of the end of 1974 vary from 30,000 metric tons to 50,000, with imported products accounting for 6,000 of the total. Normal stocks for this time of year are around 20,000-30,000 tons, which means that—depending on the source—stocks are anywhere from slightly above normal to well in excess. The leading importers hold the latter view, placing excess stocks at about the 30,000 ton level. However, no thought has been given to moving the frozen stocks out of storage into the market at prices necessary to clear the market.

Producer costs, New York dressed basis, were estimated at around 50 cents per pound in late 1974—well above wholesale prices of 42 cents per pound. And despite the depressed wholesale prices, retail prices of bone-out meat (about 70 percent of domestic production is sold in this form) continued to rise, going from about $0.99-$1.09 per pound to $1.48-$1.78 during 1974. At these prices, consumption will at best hold steady and may decline.

To correct the problem, a "price stabilization" committee was formed in 1974, with producer, trading-company, Government, and processor representatives. At a recent meeting, three courses of action were reportedly considered:

- Cut production;
- Increase the import duty on chicken meat from 20 to 30 percent;
- Under Government "administrative" guidance cut imports. (The United States would bear the brunt of import cuts, owing to its market share rising to 50 percent since the European Community ended its export subsidy on poultry meat.)

At this moment, the most likely course of action appears to be a reduction in imports from the United States if feed prices again go up, or perhaps even if they do not.

The present thinking is that if feed prices do not go up and/or imports from the United States are cut, domestic production in 1975 will either be the same as in 1974 or down 5 percent. If feed costs rise and no action is taken against imports, domestic production will fall sharply (but the Government probably will not allow that to happen).

Because of the high prices, one trading firm reports the best selling U.S. poultry item is the drumette (largest section of the wing) at 75 cents to $1.48 per pound, with gizzards and wing tips, at about 59 cents, also popular.

Another firm anticipates lower imports from the United States in the first half of 1974, with a pickup during the last half. It is interested in developing a joint venture with a U.S. company and is "keen about future imports." The firm also believes that in the future Japan should import more poultry meat and less raw material.

Another firm is introducing U.S. turkey products into the Japanese market. The uncooked 2-pound pan turkey roast is moving exceptionally well to the hotel and restaurant trade (although a U.S. retail pack, it apparently is just the right size for Japanese institutional use). This item is 20-30 percent less expensive than ham, with which it is competing.

The same company is setting up dealer-distributors for nationwide coverage. With meat costs high, it believes diced turkey meat combined with soya protein would make a good school lunch item. In addition, a department store will try turkey roll, roast, and diced turkey to determine consumer reaction, and a restaurant chain is considering diced turkey for its poultry meat curry and turkey roll for its smorgasbord.

SUPERMARKET prices per pound for U.S. poultry meat in late 1974 included: Broilers, 99 U.S. cents; turkey, $1.48; Rock Cornish hens, $1.78; turkey breasts, $6.21; smoked turkey breasts, $7.87; and turkey bologna, $3.71. Others were Hungarian broilers, 96 cents per pound; Japanese bone-out chicken meat items—breasts, $1.94; thigh-leg, 99 cents—and eggs, $1.00 for 10 eggs.

Hong Kong. U.S. exports of poultry meat to Hong Kong—third largest single-country market for U.S. poultry and egg products—hit 26.7 million pounds valued at $10.2 million in January-November 1974 for a 66 percent gain in both volume and value from the 1973 period. The principal U.S. item moving to Hong Kong continued to be chicken parts, mainly wings. However, U.S. exports of turkey meat for January-November amounted to 1.8 million pounds valued at $774,000, up 48 percent in volume and 51 percent in value from January-November 1973.

A shortage of Chinese eggs has also made Hong Kong at least a temporary market for U.S. shell eggs. These shipments, totaling 1.1 million dozen valued at $642,000 in January-November 1974 compared with none in 1973, have been coming in since July 1974 from several large West Coast egg producers. About

[1] **Based on a trip by the author to these markets in November-December 1974.**

70-80 percent of the imported eggs are reportedly being mixed with New Territory eggs. The 20-30 percent of U.S. eggs that do not lose their identity are being sold cartoned to supermarkets and the hotel trade.

The Hong Kong poultry market is also depressed. Demand is down, and high carrying charges have forced importers to dump excessive inventories on the market, depressing prices, and causing some poultry firms to sell at a loss. Thus, unlike Japan, the extensive stocks are not being held back, but are being sold to clear the market.

Regarding the major U.S. product, poultry wings, the trade emphasizes that the United States will remain the major supplier. This is in part because of consumer preference for the large size and yellow color of U.S. wings compared with the small size and white color of those supplied by Europe.

Among the Hong Kong trade, one firm has received the permits and certifications necessary to export to the United States Chinese dishes, utilizing U.S. poultry meat. Such products already move to Japan—mainly shumai.

Another contact was selling U.S. broilers (weighing 1,800 to 2,100 grams) to hotels and Chinese restaurants.

Regarding egg imports, one firm that imported 5,000 cases of U.S. eggs during a 2-month period reports good potential for West Coast eggs.

Still another egg importer moves 10,000 eggs per day for institutional feeding—mostly small eggs—and 2,400 large eggs per day through stores. It ordered three containers of shell eggs from California. Quality of eggs in the one that had arrived as of mid-November was reportedly good.

Some supermarket prices for U.S. products in late 1974 were: Chicken drums, 88 cents per pound; breasts and thighs, $1.08; turkey meat, 80 cents; turkey rolls: white, $3.22, combination white and dark, $1.90; roasting chicken, 96 cents; Rock Cornish hen, $1.24 (14 oz.); wings, $1.92; and eggs, $1.10 per dozen.

Thailand. In contrast to other U.S. markets discussed, this has been the scene of so-far fruitless efforts to get U.S. turkey products on the market. The 60 percent import duty has not been cut, but officials appear willing to reduce it if convinced of market demand. The principal problem has been to get an import structure established. There is nonetheless a consensus that U.S. turkey products have potential.

Lebanon and Persian Gulf area. Exports of U.S. poultry meat to this area soared to 5.7 million pounds valued at $3.1 million in January-November 1974—up 305 percent in volume and 283 percent in value over sales in the 1973 period. The most significant increase was in U.S. whole broilers—to 3.6 million pounds valued at $1.7 million from 313,000 valued at $189,000 in the 1973 period. Also important were chicken-part exports, which amounted to 1.5 million pounds, valued at $1 million, against 736,000 at $414,000 in 1973.

This rapid growth indicates the great potential of the market. In fact, it could be a major market for U.S. poultry if the European Community does not subsidize sales there by renewing its export subsidy or through use of export assistance by individual EC members.

There is currently an excess of stocks in Arab-Persian Gulf markets, apparently the result of heavy buying before the EC subsidy was removed. (Lebanon prohibits the import of chicken meat.)

Whether the United States maintains the significant toehold established in the market for chicken meat (mainly whole broilers) during 1974 depends on the EC subsidy policy. Usually, about 50 percent of the area's whole broiler imports comes from Western Europe (mainly the EC) and half from Eastern Europe, with the latter quoting just below Western Europe to ensure its market share. It is not felt, however, that Eastern Europe can totally supply the market, owing to commitments to the USSR and Japan. (About 50 percent of East European output reportedly goes this route.)

Thus, if the EC does not subsidize, the United States has the chance to increase significantly its whole-broiler exports to the area in 1975. There is also growing interest in U.S. whole turkey and chicken and turkey parts.

One trade contact reports that poultry consumption in the area will continue to grow. The firm—which handles U.S., French, Danish, German, and East European products—like most other importers has stocks it must work down. These stocks are in part because it ordered heavily from the EC before the subsidy was removed. In late 1974, it received a quote from a French exporter for Grade A, broilers at about 49 cents per pound, indicating the French exporter expected either an EC subsidy or French export assistance.

The firm reportedly would buy U.S. shell eggs at a delivered price of 57 cents a dozen—44 pounds per case (the price of Romanian eggs). The firm buys a million cases of eggs per year.

Another company, a sausage processor, expressed an interest in imports of deboned turkey for use in sausage.

Greek and U.K. Poultry Buying Hindered

While Asian markets for U.S. poultry meat and eggs generally remain strong, those in Western Europe continue to present difficulties. For example—

Greece. In February 1974, the Greek Government embargoed the import of turkey, reportedly as a foreign exchange measure (imports for the shipping trade are permitted, but these are very small). Then, in March, it stopped issuing import licenses for U.S. broilers, in effect closing that market.

And even if U.S. broilers were permitted entry, the present gate levy plus duty, $407 per ton, would be prohibitive—a situation trade contacts feel will not improve. It is, in fact, their opinion that the Government is fast moving to the EC protective level in preparation for full EC membership.

The only hope for U.S. imports appears to be in turkey products, if entry is permitted, for the hotel trade.

United Kingdom. When the EC in December again raised levies on turkey thighs, one of the largest U.S. importers was caught with a container en route and thus incurred a severe monetary loss.

The increase in duty was reportedly because one shipment of thighs was found below the gate price. Although the particular U.S. importer reportedly could document that his container was purchased above the gate price, the EC system offers no provision for exemptions in such instances.

Japan To Subsidize Feed Costs And Encourage Rice Expansion

By BRUCE L. GREENSHIELDS
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WITH the aim of countering price rises, on the one hand, and meeting changed domestic and world conditions, on the other, the Japanese Government has announced new measures for feed and rice. The measures for feed involve creation of a subsidy to help minimize the effect of higher prices of feed imports, most of which come from the United States. Those for rice call for a gradual area expansion and a doubling of Government stocks by 1979, with the twofold goal of adjusting to the slowing rate of decline in rice consumption and protecting against future world food shortages.

Feed. Beginning this year, the Japanese Government will for the first time provide money for subsidy payments to livestock producers (feeders), matched by payments from three private subsidy funds. In the past, livestock feeders received subsidy payments only from the latter funds, which are managed by the National Federation of Agricultural Cooperative Associations (*Zenno*), the Japan Feed Manufacturers Association, and a group of agricultural cooperatives not included in *Zenno*, among them the National Federation of Dairy Cooperative Associations (*Zenrakuren*).

The purpose of these private funds was to stabilize feed prices at fixed levels. However, soaring commodity prices in 1973 and 1974 rapidly exhausted their reserves, as well as a $70-million Government loan made to them in 1973.

The regular reserves of the private funds are normally replenished by the feeders and the formula feed manufacturers themselves. This money comes from fees of $1.33 per ton of formula feed assessed the feeders and 67 cents per ton charged the formula feed manufacturers.

In addition, formula feed manufacturers pay a fee of $1.00 per ton into a special reserve originally intended to repay the 1973 Government loan. However, the Government instead authorized use of this special reserve to offset a $27-per-ton increase in formula feed prices in late 1974 to pay feeders $3.67 per ton, in addition to the $4.33 per ton they were already receiving from the regular reserves. Repayment of the Government loan was, in turn, postponed.

The net subsidy payment made by the private funds to feeders thus amounted to $6.67 per ton, or about 3 percent of the average cost of $240 per ton of feed (ex mill) in November 1974.

The new Government fund is to be built up to $100 million over a 5-year period, with an initial Government contribution of $20 million this year—both subject to approval by the Diet. In turn, the private funds will match reserves of the Government fund, for a total subsidy budget of $200 million.

THERE IS, however, some allowance for increases in prices to feeders, compared with past goals of stabilizing feed prices at fixed levels. Initially, the Government fund will make payments only if increases in the price of formula feeds exceed 8 percent per year, or if price gains in corn, sorghum, and soybean meal exceed 15 percent. The private funds may make payments for price increases of lesser amounts.

Rice. Japan's announcement of a change in rice policy came a few days after President Ford and Secretary of State Kissinger visited Japan in November 1974. During the visit, they urged the Japanese leadership to increase foodgrain storage capacity and build stocks, in view of the world food shortages.

Also, at the United Nations World Food Conference in Rome last November, Japan had promised to make efforts to increase food stocks and production.

At the same time, the country must take into account new rice consumption projections developed in a Government report on the 10-year outlook for supply and demand. The report shows that the per capita decline in rice consumption for food may be only around 1 percent per year during the next decade, compared with earlier Government projections of 2-3 percent.

The decline in consumption has been taking place since 1962, when it stood at 260 pounds per person per year. From that point, consumption skidded to the present level of less than 200 pounds per year—still far above the 8 pounds recorded in the United States—as rising family incomes led to a greater diversification and westernization of the diet.

However, the growth in personal income was reversed in 1974 and is expected to rise at a slower rate in the next decade than it did in the past two. This, in turn, is shifting consumers back to rice and away from meats and other more expensive foods.

In view of the new developments, the Government now plans to increase its rice stocks to 2 million tons, brown basis, by the end of the 1979 rice marketing year (Oct. 31) from less than 1 million as of October 31, 1974. Toward this end, it will encourage the return of 600,000 acres of land to rice output—including nearly 100,000 in 1975 and around 300,000 next year.

At the same time, the Government will encourage a resumption of double cropping on rice paddies with wheat and barley. Double cropping of wheat with rice was common in the past but has declined to an insignificant level, owing mainly to the rising cost of labor and the relatively lower return from wheat and barley than from rice.

The program also discourages domestic soybean production gains in favor of wheat—a change from previous policies of encouraging soybean output.

In the recent past, the Government had held that rice stocks should not exceed 1.5 million tons, owing to the high cost of carrying and selling stocks. That cost is currently estimated at $300 to stockpile 1 ton of rice for 1 year and then release it (including the loss from selling to millers at a lower price than the support price paid to farmers).

Changes in rice policy are not new to Japan, which tightly controls output and distribution of this commodity because of its importance as the main staple food, providing over one-third

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SCANDINAVIA:

A Promising Market For U.S. Consumer-Ready Foods

UNITED STATES exporters of fresh and processed foods may want to take a closer look at the Scandinavian market, where sales opportunities are being enhanced by some of the world's highest incomes, growing numbers of working couples, and far-reaching social-welfare programs. In fact, Sweden already gets a larger share of its agricultural imports from the United States as consumer-ready foods—over 40 percent—than any other U.S. farm market. And Finland is likewise high on the list, taking over a third of its farm imports as consumer-ready items.

To further tap this potential, the Foreign Agricultural Service is sponsoring a Food Show in Stockholm, May 26-30, aimed at the region's hotel, restaurant, and institutional market. Main features of the show will be processed foods, including a number of products new to Scandinavian markets.

A look at the four Scandinavian countries shows a substantial market for U.S. farm products, despite their small combined population—only 22 million people—and agricultural policies generally aimed at protecting domestic farmers. Together, the countries took $348 million worth of U.S. agricultural products in 1973, with some $60 million of this consumer-ready products.

Ironically, the country with the most extensive domestic agriculture—Denmark—is also the leading U.S. farm market in Scandinavia. This is because Denmark must make disproportionately large purchases of U.S. grains, soybeans, and other feed ingredients for its export-oriented livestock industry. As a result, consumer-ready products in 1973 accounted for only about 6 percent of agricultural exports to Denmark.

More northern locations—with cool, short summers and less usable land—limit agricultural production in Norway, Sweden, and Finland, forcing these nations to import more foods for direct human consumption. Thus, consumer-ready products made up 42 percent of the $70 million U.S. farm export to

Clockwise from top: Lunchtime in staff canteen of a Copenhagen shipyard; cafeteria room of a Swedish restaurant that offers several different classes of service; 400-year-old restaurant in Stockholm's "old town"; kitchen in a Danish hospital; and feeding Swedish kindergarten children.

Sweden in 1973, 34 percent of the $23.3 million to Finland, and 11 percent of the $92.2 million to Norway.

In all four markets, fruits—raisins, dried prunes, apples, citrus fruits, grapes, frozen orange juice, and canned fruits—are among the leading U.S. consumer-ready items sold; also important are almonds, walnuts, fresh and processed vegetables, and popcorn. Relatively new items with potentially bright futures include strawberries, peppers, radishes, lettuce, celery, corn-on-the-cob, and various snack and convenience foods.

Behind the region's growing reliance on consumer-ready foods are extremely high per capita incomes, which accentuate the taste for high-quality and easy-to-prepare products. Sweden's per capita gross national product, at around $6,700 a year, (current prices) about equals the United States; Norway's is over $5,600; and Denmark's exceeds $5,900.

These high levels of incomes, plus large numbers of working wives and social-welfare programs, have greatly expanded eating away from home—both in restaurants and institutions—as well as home use of convenience foods. And rising tourism is further boosting demand for high-quality and convenience foods.

A recently completed survey of the four markets gives some idea of what the Scandinavian people are eating and where. Among its findings:

Sweden. The largest Scandinavian market for U.S. consumer-ready foods, Sweden in 1973 took $30.2 million worth of these items—the leaders being frozen orange juice, almonds, raisins prunes, grapes, apples, canned peaches and fruit cocktail, and various fresh and processed vegetables. Helping to generate this large demand is a massive food-service sector, geared to meeting the needs of a welfare-oriented society. In 1972-73, for instance, some 21,000 food-service units in Sweden—about half commercial and half institutional—served over 4 million meals a day, or a billion a year. Their total outlay for food amounted to over $700 million—15 percent of all Swedish food purchases.

Restaurants and cafeterias spend the most for food in Sweden (the equivalent of $260 million in 1972-73), followed by hospitals ($104 million), staff canteens and street kitchens ($87 million each), and schools ($85 million).

The white-cloth restaurants of Sweden are dominated by some 20 chains—with half the total market—but still are quite traditional in their food-preparation methods, using mainly fresh foods. However, it is felt that restaurants may soon have to switch to convenience foods because of mounting costs, not to mention the population's growing acceptance of fast-food restaurants—pizza houses, chicken parlors, and hamburger operations.

Already well-established in satisfying this demand are the street kitchens, which range from small stands selling hot dogs to larger ones similar to U.S. fast-food restaurants but not seating customers. These street kitchens serve more meals per year—208 million in 1972-73—than any other food service group in Sweden.

Feeding of children also is increasingly important in Sweden, owing to the country's comprehensive school lunch program and its growing force of working wives.

In primary and secondary schools, children receive a free lunch, consisting of an entreé, vegetables, potatoes, bread, butter or margarine, milk, and salad or a fruit. Juices are seldom served (because of their expense), nor are desserts. The general emphasis is on basic nutrition.

In 1972-73, there were 1,700 children's day homes serving food in Sweden. One type is for preschool children whose parents work; another is for school children. Use of frozen pre-prepared, and convenience foods in these homes is common.

Among other institutional food purchasers, the military is probably one of the biggest users of frozen and convenience foods, while fresh products are still widely used in staff canteens.

The most popular foods generally consumed in Sweden—according to a survey by the Swedish Farmers' Association—are pork products (sausages, grilled ham, pork loin, and bacon), meat balls, tomatoes, salad, fresh cucumbers, onions, carrots, and lettuce.

Finland. Food consumption habits in Finland are quite similar to those of Sweden, and consumer-ready foods in 1973 accounted for $8.1 million out of the $23.3 million in U.S. agricultural exports to the country. Dominating such sales are raisins and prunes, followed at a distance by almonds; fresh

Clockwise from right: Selecting U.S. beef from cold storage at a Copenhagen hotel; feeding in one of Scandinavia's many homes for the aged; Swedish school children waiting in line for lunch; and preparing "smorrebrod" for serving in airplanes, staff canteens, and at private receptions.

SCANDINAVIAN TRADE REACTION TO U.S. FOOD PRODUCTS

The following judgments are the result of telephone interviews with informed persons in the Scandinavian countries concerning a list of food items compiled by the U.S. Embassy, Stockholm. Their reactions are measured as follows:

- One star (★) equals very little interest;
- Two stars (★★) equals interesting product;
- Three stars (★★★) equals very interesting product; and
- A minus sign (—) equals no interest.

MARKET POSSIBILITIES

Product	Sweden	Finland	Norway	Denmark
Vegetable protein	★★★	★	★★	★
Meat, fish, and eggs				
Seafood				
Lobster	★★	—	—	★
Crawfish	—	—	—	—
Salmon	★★★	★★	★	★★
Shrimp	★★★	★★★	★	★★
Tuna fish	—	★	★	★
Prepared seafood dishes	★	★	—	—
Meat and poultry				
Beef—portion control steaks[1]	★★	★★	★	★★
Turkey products	★★	★	★★	★★
Frozen omelets	★	—	★	★
Powdered eggs	—	—	—	—
Drinks				
Orange juice	★★★	★★★	★★★	★★★
Grape juice	★★★	★★	★★	★★★
Other juices	★★	★	★	★
Frozen vegetables and fruits				
Corn	★★★	★	★	★★
Other	★	—	—	★
Fresh vegetables	★★★	★★	★★	★★★
Dehydrated foods	★★★	★★	★★	★★★
Rice	★★★	★★★	★★★	★★★
Canned and dried fruits	★★★	★★	★★	★★★
Bakery products	—	—	★★	★
Snack foods	★★★	★★★	★★★	★★★
Pizza mixes	★	★	★	★
Health and dietary foods				
Health foods	—	—	—	—
Dietary foods (hospitals)	★★	★	★★	★★
Products for street kitchens	★★ condiments	—	★★★	★

[1] Scandinavia is not a good potential market for beef at the present time, owing to sanitary, health, and other restrictions.

lemons, apples, and grapes; frozen orange juice; and canned peaches, pears, and fruit cocktail.

According to a study for sale by the Finnish Gallup Institute, nearly 850 million meals were served by Finnish food establishments in 1974. The bulk of these were through self-service restaurants, staff canteens, and schools, in that order. However, the biggest expenditures for food came from schools, followed by restaurants (with their much higher priced menus), hospitals, and self-service restaurants.

Schools consistently were the biggest volume purchasers of food products, including—fresh meat and vegetables; fruits and berries; frozen fish, sausages, and vegetables; fresh and dehydrated potatoes; canned meat and vegetables; prepared foods; and juices—Restaurants led in purchases of items like fresh fish, frozen meat, and fresh and frozen French fried potatoes.

Norway. Consumer-ready foods have a smaller role in U.S. agricultural sales to Norway—$10.5 million of the $92.2 million worth shipped in 1973—taking a back seat to the grains, oilseeds, and other bulk products. This is partly because Norway's agriculture centers around production—and export—of livestock products, requiring substantial overseas purchases of feed ingredients. Also, although the country depends on foreign sources for more than half its food supplies, it is highly protective of domestic production. The main consumer items purchased are almonds, walnuts, dried prunes, apples, and frozen orange juice.

A 1972 survey of the Norwegian food service market showed that in 1971 around 160 million hot meals were served away from home. Restaurants and cafeterias (51.2 million meals) and the merchant marine (50.8 million) accounted for most of these, while schools supplied none since they serve no hot meals. Likewise, business-staff canteens served little hot food.

Expenditures on food by the food-service sector totaled around $147 million in 1971, with restaurants accounting for $73 million of this.

The same survey foresees sharp gains in Norwegian demand for prepared and convenience foods, projecting use of fresh foods to drop to 25 percent of the total in 1980 from 51 percent in 1971, while use of prepared foods climbs to 48 percent from 37 and that of pre-prepared foods jumps to 27 percent from 12.

As in the other Scandinavian markets, children's day homes are generating ever-increasing demand for food products. Such homes in 1974 could take care of 29,000 children per day—a figure that is expected to increase more than fourfold by 1981 to 125,000. Thus, children's day homes may well become one of the big eating-out segments of the Norwegian economy in the future.

Also on the rise is use of food by street kitchens, which were introduced in Norway only a few years ago but have caught on rapidly.

One survey of individual eating habits in 1971 showed the Norwegians eating about equal amounts of meat (47 percent) and fish (44 percent) at their weekday evening meals, with meat balls and cooked whole fish the most popular entreés.

Denmark. Being so dependent on livestock production—90 percent of farm income comes from this industry—Denmark also is dependent on the import market for large amounts of feed ingredients. Conversely, consumer-ready products made up only $10.9 million of the $162.5 million in U.S. agricultural exports to Denmark during 1973. Most important of these are prunes, raisins, almonds, lemons, oranges, canned peaches, pears, corn, asparagus, and other produce.

Restaurants are the major purchasers of food in Denmark, with the more than 6,000 restaurants licensed for beer, wine, or liquor buying an estimated $325 million worth in 1973.

On the other hand, a partial tally of institutional food purchases—data are very scarce in Denmark—showed some 242,000 persons served daily by institutional kitchens (not including restaurants). Among the most important of these food outlets are day homes for children, accounting for over 40 percent of the total. In the homes for preschool children (ages 3-7), children bring sandwiches with them for one meal and receive one hot meal.

Danish business staff canteens seldom serve hot food, nor do schools, with food generally brought from home.

Some Facts About Food Markets in Scandinavian Countries

- Sweden and Finland buy more U.S. farm products as consumer-ready foods—42 and 34 percent of their 1973 takings—than any other overseas U.S. market.
- Sweden is No. 1 U.S. consumer-ready food market in Scandinavia—over $30 million worth in 1973.
- The top five U.S. food exports to Scandinavia in 1973 were raisins, dried prunes, frozen concentrated orange juice, almonds, and apples.
- The top five percentage gainers from 1972 were U.S. apples (177 percent), fruit cocktail (70 percent), walnuts (68 percent), raisins (59 percent), and frozen orange juice concentrate (34 percent).
- A typical breakfast in Sweden and Finland is bread, butter, cheese, and increasingly, juice; in Norway and Denmark, it would also probably include fish and meat products.
- In Sweden and Finland, large meals with hot dishes are served at both lunch and dinner; in Denmark and Norway, at only one meal.
- School lunch programs hardly exist in Denmark, include no hot meals in Norway, but are almost universal in Sweden and Finland.
- Children's day homes account for over 40 percent of reported institutional feeding in Denmark and are expected to serve 125,000 children in Norway by 1980—over four times the 1974 level.
- Restaurants still use mainly fresh products, but increasing costs are pushing them toward quick food-preparation methods and thus use of prepared and processed foods.
- Sweden has Scandinavia's biggest food-service sector, serving a billion meals a year; Finland is next with 850 million meals.
- Street kitchens serve the most meals per year in Sweden; self-service restaurants in Finland; and restaurants and cafeterias in Norway.
- Schools are also a big outlet for meals in Sweden, while business "staff canteens" in Finland account for a fourth of all meals served away from home.

U.S. Farm Exports Will Benefit From Recycling of Oil Money

By O. HALBERT GOOLSBY
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AN INTRICATE NETWORK of financial arrangements in 1974 recycled petrodollars to carry the world through the first full year of higher oil prices without major dislocations. As a result, few countries curtailed their buying of U.S. agricultural products, worth $22 billion in calendar 1974, compared with $17.7 billion in 1973.

Yet U.S. farmers—now planning their crop acreage for 1975—are rightly concerned about the continued economic strength of foreign markets, which took about a third of the agricultural commodities they harvested last year.

Fortunately, no major market for U.S. farm exports has yet severely restricted agricultural trade as a means of adjusting to higher oil prices. Some are following tighter fiscal and monetary policies, but only Italy has directly restricted some farm imports to compensate for financial problems.

Further, no drastic declines in foreign exchange reserves occurred during 1974 in the top developed-country markets for U.S. farm goods—with one exception. The exception was Denmark, where reserves declined by about a third through November 1974. Reserves also dropped significantly in New Zealand (53 percent), Sweden (33 percent), Australia (23 percent), and Yugoslavia (14 percent), but these countries collectively take only 1-2 percent of U.S. farm exports.

For developing nations, estimates for the first 9 months of 1974 indicate that reserves for non-oil exporting countries increased by about $1.9 billion or about 6.4 percent. Recent data also indicate that foreign exchange reserves remain adequate in Korea, the Republic of China (Taiwan), and Mexico—all significant commercial markets for U.S. agricultural products.

Finally, no radical shifts in exchange rates occurred during 1974, which helped to maintain price stability and product competitiveness in world trade.

Although the oil-importing world generally managed to live with unrealistically high oil prices in 1974, the cost has been substantial. Member states of the Organization of Petroleum Exporting Countries (OPEC) received about $90 billion in 1974 in payment for petroleum—over four times what they received in 1973.

Current petroleum prices and production rates are generating payments of about $100 billion a year, although time lags lowered receipts some $10 billion below this figure in 1974.

OPEC countries also received perhaps $5 billion from exports of commodities and services, so their receipts in 1974 totaled roughly $95 billion. Of this, OPEC countries probably spent about $35 billion to import goods and services, leaving some $60 billion in foreign exchange to invest outside their borders.

According to present estimates, the total accumulated debt of oil-importing countries to OPEC countries could exceed an enormous $200-$300 billion by 1980. Obviously, this will exert enormous financial pressures on nearly all nations not members of OPEC.

HIGH OIL PRICES also add to the inflationary problems already present in most countries, they reduce the development potential of many developing nations, they weaken the credit-worthiness of many countries, and they add significantly to the debt-servicing burden of most countries.

In part, the economic vitality of oil-importing nations in 1974 was due to OPEC investments through private monetary markets or through direct loans or grants to oil-importing countries. Preliminary U.S. estimates indicate that about 18.5 percent of OPEC investments were in the United States, 13.5 percent in sterling assets in the United Kingdom, 35 percent in the Eurocurrency market, and 33 percent was invested elsewhere.

According to World Bank figures, publicized Eurocurrency bank credits rocketed to $19.7 billion during the first half of 1974—not much below the $22 billion publicized credits for all of 1973. The estimated $13-billion inflow of petrodollars into this market obviously accounts for a large part of the rapid increase in the credits extended.

In the third quarter of 1974, however, Eurocurrency bank credits declined significantly. The turndown in borrowing was particularly steep for developed country borrowers. The decline occurred in part because of reluctance to relend short-term deposits on a long-term basis and to greater concern over risk and exposure.

The largest borrowers in the Eurocurrency market during the first three quarters of 1974 were the United Kingdom ($5.4 billion), France ($3.1 billion), Italy ($2.2 billion), and Mexico ($1.2 billion). Borrowing by Italy in 1974 came on top of $4.7 billion in 1973; the corresponding figure for the United Kingdom is $3.1 billion and for Mexico, $1.6 billion.

Foreign markets are also maintaining their financial viability through direct financial assistance from members of OPEC. Aid commitments by OPEC to the developing countries amounted to nearly $12.7 billion during January-September 1974, according to a report by the Organization for Economic Cooperation and Development (OECD).

Of this amount, $6.2 billion was for bilateral commitments and $6.5 billion for multilateral aid—lent by the International Monetary Fund (IMF), World Bank, and other development banks.

The largest donors in terms of bilateral commitments, according to the OECD report, have been Iran ($2.8 billion) and Saudi Arabia ($2.4 billion). Since the OECD issued its report, Saudi Arabia has announced a $750-million loan to the World Bank.

Iran's three largest commitments—on a bilateral basis—are $1 billion for Egypt, $900 million for India, and $643 million for Pakistan. During 1974, Iran also agreed to purchase $200 million in World Bank bonds and to lend $700 million to the IMF for use in its oil relending program—aimed at helping countries facing severe balance-of-payments problems because of the higher oil prices.

Iran's loans to Egypt will be used to help reconstruct the Suez Canal, rebuild Port Said, and further develop

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Latin America Needs Growth In Both Food and Cash Crops

By QUENTIN M. WEST
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IN A WORLD beset by farm production problems during the past year, Latin America stands out as an exception. Although poor weather worked its dirty tricks on several countries of the area, total Latin American agricultural output in 1974 still exceeded 1973's by about 5 percent.

But inflation plagues the Latin American economies, population growth continues to compromise food production gains, and import restrictions to save scarce foreign exchange are increasing.

This situation obviously draws attention to the need in Latin America and elsewhere for increasing food production. But there is also the need for general economic growth and thus for agricultural exports to generate foreign exchange so that the capital goods necessary for economic expansion can be imported.

This, in turn, raises the question of competition between food and cash crops. It is obvious that competition does exist between crops grown for food and those grown for other purposes. For any given plot of land, bag of fertilizer, can of pesticides, or whatever, decisions are demanded on how they will be used. But has food been slighted?

Over the long run, this may have been true. Food production may have been compromised in the interests of coffee in Brazil and Colombia, beef as an export commodity in Argentina, sugar in Cuba and its Caribbean neighbors, cotton in Mexico, bananas in Central America, and so on.

But in the past decade, it has been a somewhat different story. Food production has advanced to a more than self-sufficiency position in Latin America. In 1968-72, the value of food production in the region was 112 percent of the value of food consumed. Wheat is the only major commodity in a deficit position, but this is more than made up for by exportable supplies of other crops. Agricultural imports are not large, about 11 percent of total imports in 1971 compared to 13 percent in 1962, but they could be much less.

In Mexico, wheat yields have tripled since the early 1950's. Colombian rice production has increased from less than 400,000 tons in the late 1950's to over a million tons in recent years. Brazil's wheat production has jumped from a little over 200,000 tons per year in the early 1960's to over 2 million tons recently.

Brazil's soybeans, in part an export crop but also an important source of domestic cooking oil, are also doing well. Production has increased from less than 200,000 tons in the late 1950's to 7 million in 1974. Poultry meat production in Latin America has doubled over the past decade, while egg production has increased by more than 35 percent.

Total Latin American food production in 1969-73 was 30 percent above levels of 1961-65, compared to an advance of 24 percent for total agriculture. And output of the most important staple items advanced 26 percent during the past decade while the export and industrial commodities showed only a 10 percent increase.

The greatest advances in the production of staple foods relative to export and industrial items were in Mexico, Brazil and the Caribbean. Of the major regions of Latin America, Central America and Panama showed the greatest percentage increase in total food production, but progress there in staple foods lagged behind that of the export and industrial commodities.

Still, despite the advance of staple food products relative to industrial and export commodities, production of these staple items on a per capita basis increased hardly at all for the region as a whole, and actually declined somewhat in the Andean countries and Mexico.

Among the staple food commodities, the production of corn (which in the case of Argentina is principally an export commodity), cassava, dry beans, and rice showed the greatest increases between the early 1960's and early 1970's. The relatively poorer performance of the export and industrial commodities was due to declines in the production of coffee, flaxseed, and wool, and a rather small increase in cotton.

Food balance data indicate that Latin American diets have been improving. For example, caloric intake rose from 100 percent of the minimum requirement for the whole region in 1961 to 105 percent in 1970. This modest improvement, however, is probably due to increased consumption of nonstaple items such as meat, eggs, dairy products, sugar, and vegetable oils. The number of countries where the average level of food consumption met minimum needs was up from 9 out of 25 to 13. However, even in most countries with adequate dietary levels on the average, large proportions of the population were having to remain on less than adequate diets.

Population, urbanization, nutrition, and rising incomes are the major factors relating to the need for rapid growth in food production.

THE LATIN AMERICAN population growth rate is the highest in the world, putting special demands on its food industry. The Latin American Demographic Center estimates that the region's population will grow at 2.9 percent a year between now and 1985, compared to 2.17 percent for the world as a whole. It looks like the total regional population of 315 million in 1974 will jump to 432 million in 1985.

Urbanization will compound the problem. People will be moving out of the subsistence economy into areas where they will have to depend upon marketed food. Each remaining farmer will have to produce more, and the food marketing system will have to carry a rapidly increasing load.

The urban population in Latin America will likely increase from 56 percent of the total in 1970 to 67 percent in 1985. This means the urban population will increase 83 percent, or by more than 130 million in the 15-year period. Thus, marketable food supplies must increase 4.1 percent a year just to remain even with the 1970 level. And rising in-

Based on a speech before the International Conference on Nutrition and Agricultural and Economic Development in the Tropics, Guatemala City, Guatemala, December 3, 1974.

comes will stimulate a greatly increased demand for higher quality diets, especially in regard to animal proteins.

Despite the growing clamor for more dependable, cheaper, higher quality food supplies, governments cannot afford to place all their agricultural resources in one basket—the food basket. Most Latin American economies are highly dependent on agricultural exports, and they cannot afford to slight them if they want to continue economic growth.

FARM EXPORTS for 23 Latin American countries were up from $4.5 billion in 1962 to $6.85 billion in 1971, but over the same period their share of total exports declined from 49 percent to 45 percent. If countries highly dependent on oil and mineral exports are excluded, (Bolivia, Chile, Trinidad and Tobago, and Venezuela), the farm share of total exports declined from 77 percent in 1962 to 65 percent in 1971. Net agricultural exports for the region increased from $3.4 billion in 1962 to $5.2 billion in 1971. Thus, agriculture continues to be the principal provider of foreign exchange for most Latin American countries, but the farm exports have not kept pace with those from other sectors.

Agriculture will be required to carry a significant load in generating the foreign exchange to purchase the capital goods and raw materials needed to fuel the industrial economy.

Moreover, high prices of raw materials necessary to keep manufacturing and service sectors operating will be a problem in the future. Oil prices, for instance, are proving to be a heavy drain on foreign exchange in Brazil, Chile, Paraguay, Uruguay, Central America, and some Caribbean countries. Prices of other raw materials and basic commodities are also up—from fertilizers to coal to wheat to bauxite.

Looking ahead at the formulation of food and agriculture policies for the next 10 to 20 years, it is imperative that all the roles of agriculture be considered. For instance, an overemphasis on food production that resulted in a decline in agricultural exports could be self-defeating, especially in a highly urban area like Latin America. In many of the countries, a decline in agricultural exports would lead to shortages of foreign exchange and heavy restrictions on imports. The slowdown in imports of capital goods and raw materials would likely lead to declining rates of economic growth with unemployment and/or lower wages in the cities. This could lead to lower nutritional standards regardless of how much domestically grown food was available—people just would not be able to afford it.

At the same time, unless these nations take appropriate steps to feed themselves, they will face large and growing food import costs and they will have done little toward improving nutrition and well-being of their populations.

Thus, there is a critical need for expanding production of both food and export and industrial crops. Fortunately, this region has the land and water resources as well as the potential for yield-expanding techniques.

In the early 1970's, about 81 million hectares of land were cropped in Latin America. This is only about 17 percent of the estimated potentially suitable land for crops compared to around 42 percent of potentially suitable land that is cropped in all of the world.

The most promising frontier areas—those fairly near markets—have already been brought into production. Examples are the Pacific coast lowlands in Central America, the north coast of Colombia, and western Paraná State in Brazil. However, as transportation and marketing facilities are improved, more distant areas can be brought into production.

Latin America has an extensive grazing industry. If pastures were upgraded and cattle management improved, much more beef and wool could be produced on less land, thus freeing land for crops. Also, pasture land will be expanding into more distant frontier areas, freeing land in areas closer to markets for crop expansion. In some areas, it appears that expansion of cropland has forced displacement and/or modernization of the grazing industry. The best example is the development, over the last 6 or 8 years, of wheat and soybeans in Brazil.

Expansion and improvement of irrigation offers promise for increased agricultural production. In those areas dependent upon irrigated agriculture, such as Mexico, coastal Peru, Chile, and western Argentina, all of the easy expansion has already been accomplished. Scarce water supplies will tend to limit further expansion. However, in other countries, there is great potential for increased irrigation, if pressures on food demand warrant it. Up to now, it has been cheaper to expand rainfed acreage.

Existing irrigation systems in some countries could be used more efficiently. For example, productivity of irrigated land is much less than maximum because a large proportion of area—particularly in Chile—is kept in low productivity pastures or fodder crops. Also, some land in irrigated areas is not used because of present uncertainty of water supply. New investment is needed to improve and rehabilitate irrigation systems in some areas.

For many important commodities, crop yields in Latin America are below the world average and are increasing at a slower rate. For example, world wheat yields increased 35 percent in the last 10 years; Latin America's declined 3 percent due principally to a drop in Argentine yields. World corn yields jumped by 25 percent, while Latin American yields rose just 11 percent.

Potential exists for greatly expanding yields, especially corn. There has been widespread adoption of hybrid varieties in recent years, but improper or limited use of fertilizer and other cultural practices have limited gains in yields.

Greater fertilizer use will be a key to increased yields. Highly commercialized export and industrial crops receive the bulk of the fertilizer at present. In many countries, cereal crops—particularly corn—receive very little. Corn happens to be quite responsive to fertilizer. The Food and Agriculture Organization of the United Nations estimated that in South America, each additional kilogram of fertilizer nutrients would, on the average, yield an additional 10 kilograms of corn.

AS A BENCHMARK, Latin America in 1971-72 used only about 27 kilograms of fertilizer per hectare of arable land compared to 98 per hectare in the United States and a world average of 50.

Most recent production increases in Latin America have come from increased land use. But over the next 20 years, increasing yields are likely to play a more important role than in the past. This is why increased fertilizer use and work of research organizations, like the International Wheat and Corn Improvement Center in Mexico, the International Center for Tropical Agriculture in Colombia, the International Potato Center in Peru, and the Research and Trading Center for Tropical Agriculture in Costa Rica, are so important.

Australia Launches Program To Assist Beef Industry

THE AUSTRALIAN Federal Government has announced a three-pronged program aimed at propping up the slumping beef cattle industry. It will make $A20 million of carry-on financing available to cattlemen (with more funds available after 3 months), extend tax relief to producers, and make a concerted effort to find new overseas markets for beef.

The Government has decided to make $A20 million available immediately for emergency loans through the Commonwealth Development Bank without waiting for Parliamentary approval. The money will be added to the financial reserves of the Bank in order to broaden its capacity to make loans to seriously affected cattlemen. The recent sharp decline in cattle prices has left a number of specialized beef producers in a position where they can no longer satisfy the normal criteria of the trading banks. Hence, the need arose for a special appropriation for loans through the Development Bank.

The cattle industry is already the major borrower from the Development Bank; at the end of June 1974, Development Bank loans to beef producers stood at $A69 million. This amounted to one-third of the Bank's total outstanding rural loans. With the new funds, the Bank will stand ready to help beef producers by making medium- and long-term loans to those whose capital structure has been weakened by the low market prices. Those cattlemen who, in the opinion of the Bank, still remain viable will be eligible. Funds will be reserved for specialized producers whose incomes are derived wholly or mainly from cattle.

Beef producers can also seek assistance under the Rural Reconstruction Scheme. In the last budget, $A30 million was appropriated for assistance to all primary producers under that scheme.

In making the funds available, the Government was particularly concerned about the need to assist producers in maintaining breeding herds so they would be in a position to take advantage of a market recovery. However, officials are urging the prompt marketing of all surplus slaughter cattle that were held back because of low prices. This action is to prevent a severe glut should seasonal conditions change. Recent movements to market suggest that this plan is being followed. Beef slaughter in October 1974 was 17 percent higher than a month earlier and it was expected to remain high in November and December.

The Commissioner for Taxation has been directed to use his discretionary power in dealing with taxpayers in financial difficulties.

With the Common Market and Japan closed to imports and a general slump in international demand, the Government plans to make a concerted effort to find new overseas markets. The Minister for Overseas Trade has already initiated arrangements for a survey mission to visit Eastern Europe. Other missions will probably be sent overseas in the future.

In the domestic market, the reduction in retail prices has encouraged a significant increase in consumption of beef. This increase is playing an important role in relieving the current surplus situation. Per capita beef consumption is expected to reach 50 kilograms (kg) in 1975, compared with the 40 kgs during the past few years.

The cattlemen generally welcomed the initiative by the Government, but claimed it fell far short of filling their needs. They say it will not save many from bankruptcy. Producer groups had asked that $A50 million in loan funds be made available and that the current export levy of 1.6 cents per kg (inspection fee) be suspended. Some political leaders were seeking Government funds to underwrite sales to nontraditional markets. They also claim the 10.5-percent interest rate charged by the Development Bank would normally be unattractive to producers.

By HARLAN J. DIRKS,
U.S. Agriculture Attaché,
Canberra

LATE-YEAR RAINS UP CAMEROON PEANUT CROP

Cameroon was plagued by dry weather in 1973 and the peanut crop, harvested in January 1974, fell to about half that of the previous year. However, rains were more nearly normal in early 1974 and their continuation into the later months of the year boosted production in 1974-75 to a level about 95 percent higher than that of 1973-74.

Unofficially set at 165,000 tons, the 1974-75 peanut output compares with just 85,000 tons the season before and 150,000 tons in 1972-73. (All tons are metric and on an unshelled basis.) In 1971-72, the peanut crop was 209,000 tons.

Most farmers in the country concentrate on growing coffee and cocoa for export, paying scant attention to the potential value of peanuts. There is a Government plan to strengthen the agricultural sector over the next 5 years, but there are no related programs that would directly affect peanuts.

There is also a lack of basic research which must be carried on if farmers are to increase yields and production of this valuable oilseed.

To insure an adequate supply of peanuts domestically, the Government has set the export price at about 65 percent of the price paid by the procurement agency—the equivalent of $252 for domestic sales, compared with $165 for exports. Generally, the extra payment for peanuts intended for the domestic market has had little effect on production. But in some areas where cotton is a major corp, ginners pay a bonus to farmers to grow enough to support the mills.

The shortage of peanuts in the Cameroons in 1974 was so acute that none were crushed for oil during the year and exports were expected to reach only about 8,000 tons. The previous year's foreign sales amounted to 16,508 tons and sales averaged 11,550 tons in the 5-year period between 1969 and 1973.

—By W. GARTH THORBURN
Oilseeds and Products, FAS

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Feb. 4	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	5.32	−19	6.50
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	5.14	−19	6.21
15 percent	5.39	−18	(1)
U.S. No. 2 Hard Winter:			
13.5 percent	4.78	−32	6.11
No. 3 Hard Amber Durum	7.27	+28	8.78
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.53	+10	3.56
Argentine Plate corn	4.06	+3	3.98
U.S. No. 2 sorghum	3.25	−8	3.45
Argentine-Granifero sorghum	3.32	−14	3.43
U.S. No. 3 Feed barley	3.60	+12	2.93
Soybeans:			
U.S. No. 2 Yellow	6.45	−10	7.43
EC import levies:			
Wheat	1.07	+30	0
Corn	.56	+9	0
Sorghum	.78	+21	0

[1] Not quoted. [2] Basis c.i.f. Tilbury, England.
NOTE: Price basis 30- to 60-day delivery.

Danish Grass Seed Production Up

Denmark's 1974 grass seed production is estimated to be 57,100 metric tons, up 32 percent from the previous year's level, with major gains registered in ryegrass, up 85 percent; red fescue, up 60 percent; and orchard grass, up 45 percent. Legume seed production continued its steady decline, while root crop seed production dropped by 82 percent, as many companies now prefer to expand seed production in southern European countries.

Denmark will have an exportable surplus of about 45,000 metric tons of 1974 crop grass seeds, but the continued high prices of 1973 have restricted export sales to date. About 70 percent of seed exports go to European Community countries. The United States is an importer of Danish grass seed and annually sells a small volume of legume and grass seeds to Denmark.

Expansion of seed production for the 1975 crop is expected, as seeded area under contract has increased sharply.

New Zealand Seed Outlook Uncertain

Excellent pasture conditions throughout New Zealand during the 1973-74 season produced a total grass seed crop estimated at 625 million pounds. This contrasts sharply with the drought-stricken crop of 1972-73, when production totaled only 52.2 million pounds.

Increased grass seed production in 1974, together with a greatly reduced foreign demand—principally in Australia, the European Community, and the United States—seriously depressed seed prices. Perennial ryegrass, which brought NZ$7.50 per bushel at the farm gate in 1973, sold for only NZ$2.00 in December of 1974; the price of white clover dropped from 85 N.Z. cents to 30-35 N.Z. cents.

In 1973 the United Kingdom was the leading customer for red, white, and suckling clovers, with Australia, France, Chile, and Japan taking smaller quantities. Ryegrasses were sold primarily to the United Kingdom, France, and Australia. The United States continues to be a residual customer for all types of New Zealand grass seeds.

Reported large stocks of most small seeds have led to caution on the part of seed merchants facing 1975 with anxiety. Export sales are expected to be adversely affected by the tight money situation in world markets.

USSR Exports Grain To Czechoslovakia

According to the Czech press, Czechoslovakia will import 590,000 metric tons of grain from the USSR in the first half of 1975. The USSR is supposed to supply 800,000 tons of grain, mostly wheat, to Czechoslovakia in calendar 1975. This quantity is a significant reduction from levels of recent years, when imports have exceeded 1 million tons annually. Reduced imports in 1975 are attributed to the record 1974 grain harvest. Grain production in 1974 totaled 10.5 million tons, compared with 9.8 million tons in 1973 and 8.8 million in 1972.

Ocean Freight Rates Plummet

Tight international economic conditions and lessened demand for grain-carrying transport have caused a sharp decline in ocean freight rates. The present Gulf-to-Rotterdam rate of $6.25 per metric ton is about 43 percent below the effective rate in late October, before navigation was closed at the northern part of the Mississippi River and at the head of the Lakes.

Switzerland Ups Surcharges On Major Grains, Feedstuffs

Import duty surcharges on major grains and feedstuffs were increased sharply in Switzerland, beginning January 1, 1975. The new surcharges per metric ton are now equivalent to $31.46 for corn, $15.72 for barley, $23.58 for oats, and $70.80 for soybean meal. Duties were unchanged on wheat and rice for feed, pulses, fishmeal, and meat meal.

In addition to the increased surcharges, import quotas for feedstuffs are expected to be lowered to a total of 1 million metric tons for calendar 1975, compared with 1.35 million tons in 1973. The decline in world prices since November 1, 1974, is cited by the Swiss Federal Council as the reason for the marked jump in duties.

Australia Sells Wheat To Bangladesh

Australia will sell Bangladesh 300,000 metric tons of wheat during fiscal 1975. Terms of the sale, however, are still under consideration. The current offer is a continuation of a 3-year agreement to supply wheat, announced in fiscal 1973. In fiscal 1975 Australia has given Bangladesh 77,000 metric tons of wheat on a grant basis and an additional 8,000 tons as part of the World Food Program.

Bangladesh's wheat imports during 1974-75 as of mid-January were estimated at 1.8 million metric tons by the U.S. Department of Agriculture. Export commitments to Bangladesh now total 1.94 million metric tons.

Argentina's Wheat Crop Estimated

Argentine officials are estimating that country's 1974-75 wheat crop at 4.8 million metric tons. This compares with the latest FAS estimate of 5 million tons. The 1974-75 estimate is 27 percent below that for the 1973-74 crop and is the lowest since that of 1969-70. Although area planted to wheat exceeds the previous year's level by 19 percent, the crop was adversely affected in many areas by unfavorable weather, including drought, extreme temperatures, frost, and drying winds.

DAIRY AND POULTRY

Poultry Industry Urges Return of EC Export Subsidy

An association of European poultry processing plants reportedly is lobbying the European Community Commission to help the EC poultry meat industry, by, among other things, reinstituting EC export subsidies on poultry meat. Citing increased pork production and aid to the EC beef industry, the group expects the first half of 1975 to be bleak for the poultry sector.

The poultry export subsidies had been discontinued on November 1, 1974. Before that date, the EC gave "special" export subsidies to chicken meat (primarily broiler) for delivery to specified areas outside the Community.

EC Changes Poultry Levies

Effective January 20, European Community supplementary levies were increased on or added to boned poultry and dried eggs and decreased on ready-to-cook chickens, chicken halves and quarters, and turkey legs (legs of poultry other than chickens). Based on the current value of the Deutsche mark, the new levies in cents per pound (with old levies in parentheses) are: Boned poultry, 49.11 (30.69); dried eggs, 42.97 (0); whole chicken and chicken halves and quarters, 6.14 (9.21); and turkey legs, 0 (12.28).

In mid-December 1974, when the supplementary levy on boned poultry was increased to 30.69 cents per pound, traders reported that the higher levy would all but eliminate such imports from the United States. The January increase for this category further raises total charges by over 50 percent and applies only to the United States, covering a wide range of items, from boneless turkey breasts having a U.S. market value of $1.20 per pound, to comminuted meat, valued at 20 U.S. cents or less.

EC Cuts Egg Export Subsidy

Effective February 1, the European Community export subsidy on shell eggs (other than eggs for hatching) was reduced from 10 units of account (u.a.) per 100 kilograms (kg) to 5 u.a. per 100 kg—or from about 8 U.S. cents per dozen to 4 cents per dozen. Export subsidies for other eggs and poultry remain at zero. This is consistent with the EC policy announced in November 1974 that export subsidies on poultry and other meat items would be phased out to avoid subsidization of transformed cereal products.

LIVESTOCK AND PRODUCTS

Argentina To Export More Beef

Argentine beef exports for 1975 reportedly are now expected to total about 400,000 metric tons (carcass weight equivalent), compared to 300,000 metric tons in 1974. The increase is expected to result mainly frim expanded U.S. and European Community purchases of cooked beef.

Although slaughterings could be around 12 million head in 1975, total domestic consumption is expected to increase to 2.2 million tons, compared to 1.9 million tons during 1974.

Because of the anticipated high level of slaughter, the Argentine Government is expected to initiate programs granting special credit and tax exemptions to cattle raisers who retain their breeding animals.

Canada Establishes Beef Price Commission

Canadian authorities recently announced the appointment of a three-member commission to study beef and veal marketing margins and prices paid by consumers. There has been much concern in Canada over the general upward movement of meat prices.

The commission includes an economist, as well as a representative from each of the processing and retail phases of the marketing structure.

SUGAR AND TROPICAL PRODUCTS

Ecuador's Pyrethrum Crop Down

Reflecting unfavorable weather and labor shortages, Ecuador's 1974 pyrethrum crop totaled only 380 metric tons (dry flower basis), down 44 percent from the poor 1973 harvest of 680 tons. Approximately 7,400 acres were devoted to pyrethrum in both 1973 and 1974, compared with 16,000 acres in 1968, when the harvest totaled 1,900 tons. Efforts to replant with improved varieties are continuing, which will yield a 1.6 percent pyrethrins content, compared with the current average yield of about 1.3 percent.

During 1974, producers were paid an average US$1,100 per ton for dry flowers, up from $950 per ton in 1972 and 1973. Exports of pyrethrum extract in 1973 totaled 27 tons, valued at US$616,300, up slightly over 1972 shipments of 25 tons, valued at US$574,700. Preliminary data indicate that 1974 exports approximated those of 1973. Argentina, Brazil, Colombia, and Mexico are the largest markets for Ecuador's pyrethrum exports.

The United States—the world's largest pyrethrum importer—was until a few years ago the principal recipient of Ecuador's shipments. However, the United States now imports nearly all of its requirements from East African sources.

European Cocoa Bean Grindings Down

Reflecting record high cocoa prices and tight supplies, European cocoa bean grindings were off sharply in 1974, compared with 1973 levels. The West German grind amounted to 138,174 metric tons, down 9.3 percent from 1973 grindings of 152,365. The Netherlands grind totaled 114,910 tons, representing a decline of 6.3 percent from 1973 grindings of 122,590.

U.K. 1974 grindings were 93,066 metric tons, off 13 percent from the 106,985 tons for 1973; the French grind totaled only 37,500 tons, down 20.7 percent from 1973 grind of 47,300.

Brazil's Sugar Exports Down, Value Doubles

Brazil exported 2,272,262 metric tons of sugar (raw value basis) during calendar 1974. Although this represents a decline in volume of 24 percent from the 2,976,614 tons exported in 1973, value in 1974 was up sharply, to $1.33 billion, more than double the $610 million of 1973. Volume of exports to the United States accounted for 29 percent of the total in 1974, compared with 15 percent in 1973.

OILSEEDS AND PRODUCTS

Poland Seeks To Buy Brazilian Soybean Meal

The Polish Trade Mission currently visiting Brazil has expressed interest in purchasing at least 800,000 tons of Brazilian soybean meal, according to the U.S. Agricultural Attaché in Brasilia. The quantity and price of the soybean meal would be contingent on Brazil's purchase of coal from Poland. The time of delivery has not been specified.

In 1973 Polish consumption of soybean meal was approximately 612,000 metric tons, with U.S. soybean meal accounting for nearly 82 percent of this trade. Polish consumption of soybean meal is growing at an increasing rate.

Brazil Sets Soybean Oil And Meal Export Quotas

According to the U.S. Agricultural Officer in São Paulo, the Government of Brazil, on January 22, 1975, granted export quotas for 40,000 tons of soybean oil, which are expected to be sold and shipped by April 1. In addition, 250,000-275,000 tons of soybean meal were also authorized for shipment during the same period.

TOBACCO

EC Renews GSP Tobacco Quota

The European Community has renewed for 1975 the preferential tariff quota established last year for flue-cured tobacco imported from countries eligible under the generalized system of preference (GSP). The quota has been set at 30,000 metric tons, a substantial increase over last year's 22,000 tons.

Imports within the quota will receive 50 percent duty preference and will be allocated among EC members, with the United Kingdom receiving two-thirds of the total. India is intended to be the chief beneficiary supplier.

West Germany Introduces Synthetic Tobacco Cigarettes

Cigarettes blended from natural tobacco and a cellulosic tobacco substitute called Cytrel have been introduced in West Germany. Cytrel was developed by the Celanese Corporation and is manufactured in Charlotte, North Carolina.

Cytrel was tested for 3 years in Germany before being approved by the Health Ministry, and currently is being tested for consumer acceptance in England. As of last fall an American firm had plans for the test marketing of a synthetic-tobacco cigarette in the United States.

FRUIT, NUTS, AND VEGETABLES

EC Sets Pineapple Import Quota

The European Community has established for calendar 1975 a quota of 20,000 metric tons for preserved pineapples (other than in slices, half-slices, or spirals) for less developed countries benefiting from the generalized system of preference (GSP). The customs duty for goods falling within this quota will be 12 percent, compared with the normal rate of 22-24 percent, plus the sugar-added levy where applicable. Imports of canned pineapple under this quota to the new EC Member States (which are adjusting their tariff schedules to the Common External Tariff, or CXT), will be charged either 12 percent or a preferential tariff rate that reflects the same margin of preference as that applied in the EC-6, whichever is lower.

A safeguard provision in the regulation allows the Commission to reintroduce the CXT rate in full or in part on imports from any source within the quota received at prices or quantities "such as to put or be likely to put Community producers of similar or directly competitive products at a serious disadvantage or to create an unfavorable situation in associated countries."

Other Foreign Agriculture Publications

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Recycling of Oil Money

Continued from page 13

Egypt's industry. Aid to India provides for shipment of $500 million of crude oil to be repaid during the next 5 years at a 2.5 percent interest rate. The aid commitment to Pakistan consists, among other things, of a $580-million loan for balance-of-payments assistance and development needs.

Egypt has also been the recipient of Saudi Arabia's largest aid commitments. Aid to Egypt and other countries by Saudi Arabia began as long ago as 1967, but has increased greatly since late 1973. In August 1974, Saudi Arabia announced a commitment of $1.5 billion for Egypt, consisting of $1 billion in grants and $500 million in loans.

On a multilateral basis, Saudi Arabia made available about $1.2 billion to the IMF's oil facility. It has also provided assistance and made commitments in smaller amounts to a number of other countries.

Kuwait, Libya, Iraq, Qatar, Abu Dhabi, Nigeria, and Venezuela, have all made actual disbursements, or at least commitments, to a number of developing countries. Understandably the focus of Arab aid has been on less-fortunate Arab countries, Nigeria's focus has been on African countries; and Venezuela's is on Latin America—although it has also lent the World Bank $500 million.

In spite of OPEC investments in private market channels and aid commitments, the problem is so large that additional arrangements have been necessary. Thus, the IMF's relending facility was established in June 1974, and became operative in the latter part of August.

From August through December 4, 1974, nearly $1.9 billion has been lent through this facility to 32 countries. Total funds available in 1974 were nearly $3.7 billion. By far the largest borrower was Italy, borrowing some $814 million. Other large borrowers were India, $241 million; Yugoslavia, $168 million; Pakistan, $118 million, and New Zealand $103 million.

In January 1975, world monetary leaders agreed to expand IMF's oil facility by $6 billion. The IMF will also increase quotas of members by 32.5 percent in 1976. This would expand the borrowing ability of member nations under normal IMF credit facilities.

Furthermore, monetary leaders of developed nations are currently instituting a solidarity fund of about $25 billion to provide financial support to participating countries that face serious economic problems, despite efforts to resolve their difficulties.

Japanese Feed, Rice Measures

Continued from page 8

of the daily caloric intake and one-fifth of the protein. Even now, with acreage down from that of the past, rice accounts for half of the arable land and over a third of gross farm receipts.

The first, and most long-standing goal in Japan was self-sufficiency in rice production—a target that was first realized in 1968. This came, however at tremendous costs via direct farm price supports and indirect incentives to rice production, including Government investments in crop research, varietal improvement, and other technological aspects; tax breaks for rice producers; Government investment in irrigation, water control, and land improvement; and subsidized production of inputs such as fertilizer.

But so great was farmer response to such incentives—they managed to achieve very high yields of around 1.8 tons per acre known basis—at a time of declining consumption that the Government by October 31, 1970, had stockpiled nearly 7.4 million tons of surplus rice. This prompted it to reverse direction and lower rice output.

In subsequent years, surplus stocks were disposed of mainly through subsidized sales to formula feed manufacturers and secondarily through food-aid grants and subsidized sales to industry, mainly for the manufacture of alcohol. In addition, the Government began making payments to farmers who would fallow rice paddies or divert their land to other annual crops or permanent plantings.

Last year, about 600,000 acres of rice paddies were diverted to other crops. And between 1961 and 1974, total rice area has been cut from 8.2 million acres to 6.7 million. However, with most of this reduction offset by higher yields, actual rice output in 1974 stood at 12.3 million tons (brown basis), or only 100,000 tons under the 12.4 million of 1961.

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